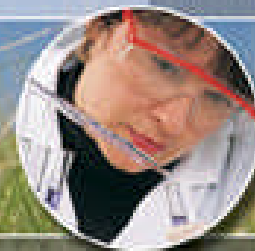




Agriculture and
Agri-Food Canada

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Applications of OECD Indicators: A Government Perspective

*Evolving Agricultural Policies in a
Changing World
January 19-20, 2010*

Canada

The PSE is a family of indicators but it is far more than that

The OECD PSE Family of Indicators

- Overall Producer Support Estimate (PSE)
- Percent Producer Support Estimate (%PSE)
- Overall Consumer Support Estimate (CSE)
- Overall Total Support Estimate (TSE)
- General Services Support Estimate (GSSE)
- Nominal Protection Coefficient (NPA)
- Nominal Assistance Coefficient (NAC)
- Single Commodity Transfers (SCT)

“The PSE Package” also includes

- A rich database showing support by program
- A taxonomy of agricultural policies
- Supporting documentation in the Monitoring and Evaluation Report
- Detailed information about policies and programs in the country reviews

The PSE Package is a common resource used by many analysts, institutions and governments world wide

- The WTO, for example, uses the PSE Package for its *Trade Policy Reviews*
- At AAFC, the PSEs inform our monitoring and interpreting of WTO documents
 - ❖ The PSEs are routinely in our reviews of other countries' policies and domestic support notifications
 - Helps understand policy changes behind notified data
 - Assists in verifying completeness and accuracy
 - ❖ The PSE is timely: it provides information that will become available in WTO notifications
 - ❖ PSE information goes beyond domestic policy coverage
- Its an important source of information that we use for our international quantitative analysis
 - ❖ The Aglink model draws important policy and price information from the PSE data base
 - ❖ We use Aglink in conjunction with our own Food and Agricultural Regional Model to produce a 10 year baseline outlook and to evaluate effects of changes in agricultural markets and policies

Stakeholders and policy makers want to know what is going in other countries- and the PSE package provides answers

- Advantages
 - ❖ Timeliness
 - ❖ Based upon implementation criteria
 - ❖ Provides a means comparing market price support with domestic support
 - ❖ An economic taxonomy- it lends itself to economic analysis
 - ❖ Classification system has adapted to new policies
 - ❖ Expanded coverage
 - ❖ Joint product of the OECD and governments
 - ❖ Benefit from the many studies by the OECD and others that are based upon the PSE Package
- In government, we can often respond to questions about policies in other countries with charts showing the PSE indicators
 - ❖ Comparing Canadian support with that in other economies
 - ❖ Trends in the level of support in Canada and elsewhere
 - ❖ Trends in the composition of support using PSE program categories

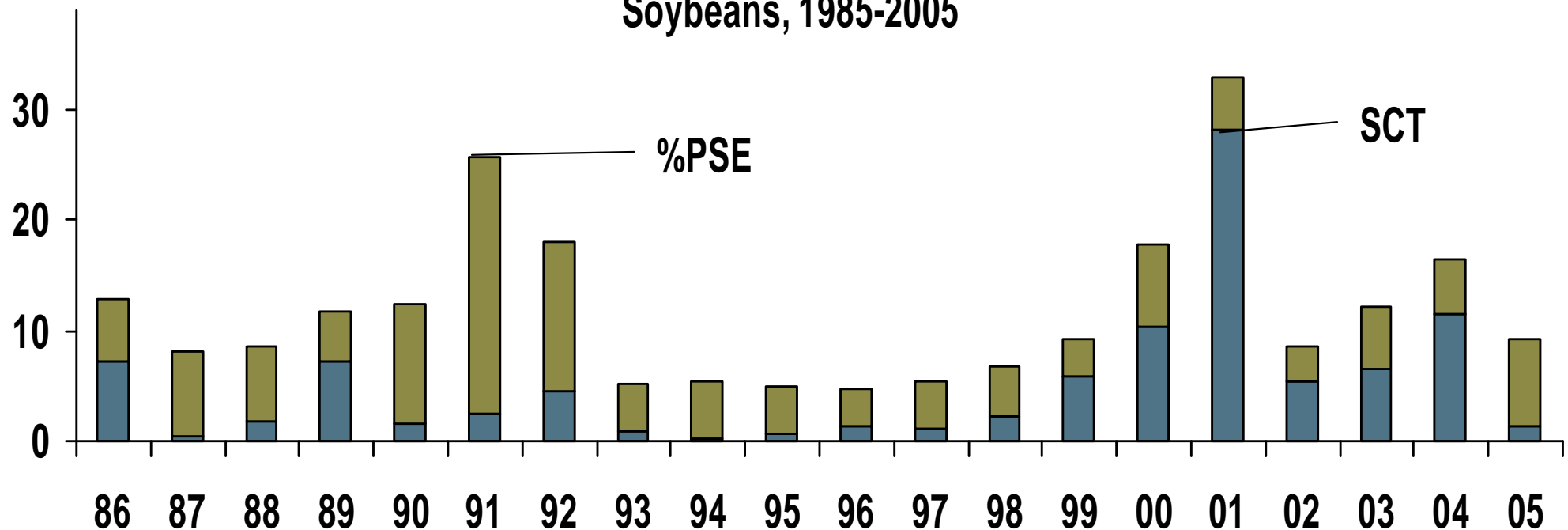
Stakeholders are most often interested in support for individual commodities rather support for the sector as a whole

- One problem, from my point of view, is that we no longer have the PSE by commodity or the %PSE by commodity— As a result we are using the PSE far less than we did a few years ago
- The %PSE gives an estimate of the amount of support received by those producing a particular commodity. The new PSE Package indicates the support going to the commodity individually in the SCT
- The SCT only shows an estimate of support directly linked or coupled to the production of a single commodity
- Commodities may receive support from other programs designed for a group of commodities such as all crops, all livestock or some other combination- but these are excluded from the SCT

There can be some significant differences between the two indicators of support

- Stakeholders are most often interested in support for individual commodities rather support for the sector as a whole
- The new PSE does indicate the support going to the commodity individually in the SCT

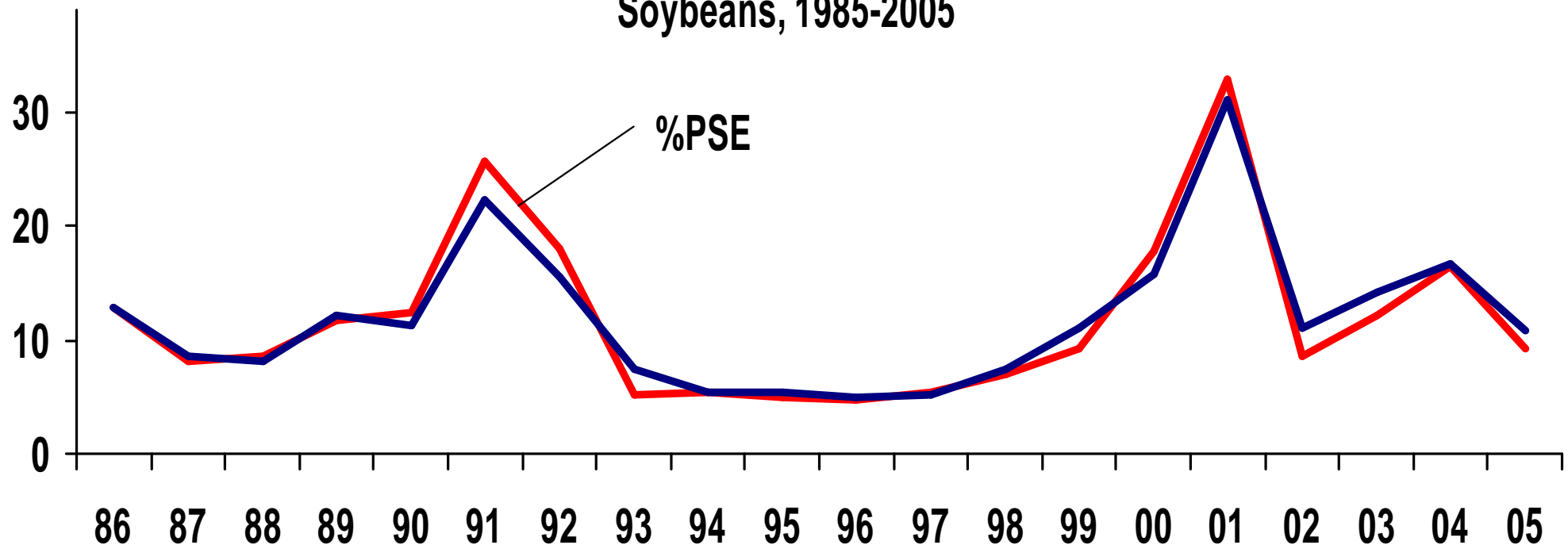
**Percent Producer Support Estimate and Single Commodity Transfer,
Soybeans, 1985-2005**



We have been experimenting with the OECD database to develop an indicator like the %PSE

- This chart shows a pretty close approximation using a fairly simple approach. The correlation coefficient between the two is 0.93
- The next step will be to do our own estimate of broader indicator of support like the %PSE

**OECD Percent Producer Support Estimate and AAFC Approximation,
Soybeans, 1985-2005**



The GSSE and the elements that go into it are an important part of the PSE Package that could get more attention

- The GSSE have probably received far less attention than the other parts of the PSE Package perhaps because they are least controversial
- But they are areas where the OECD could contribute to good governance through benchmarking, providing information on best management practices, etc.
- Recent AAFC experience lead us to conclude that the GSSE data were not really consistent from one country to another

General Services Support Estimate (GSSE)

- ❖ Research and development
- ❖ Agricultural schools
- ❖ Inspection services
- ❖ Infrastructure
- ❖ Marketing and promotion
- ❖ Public stockholding
- ❖ Miscellaneous

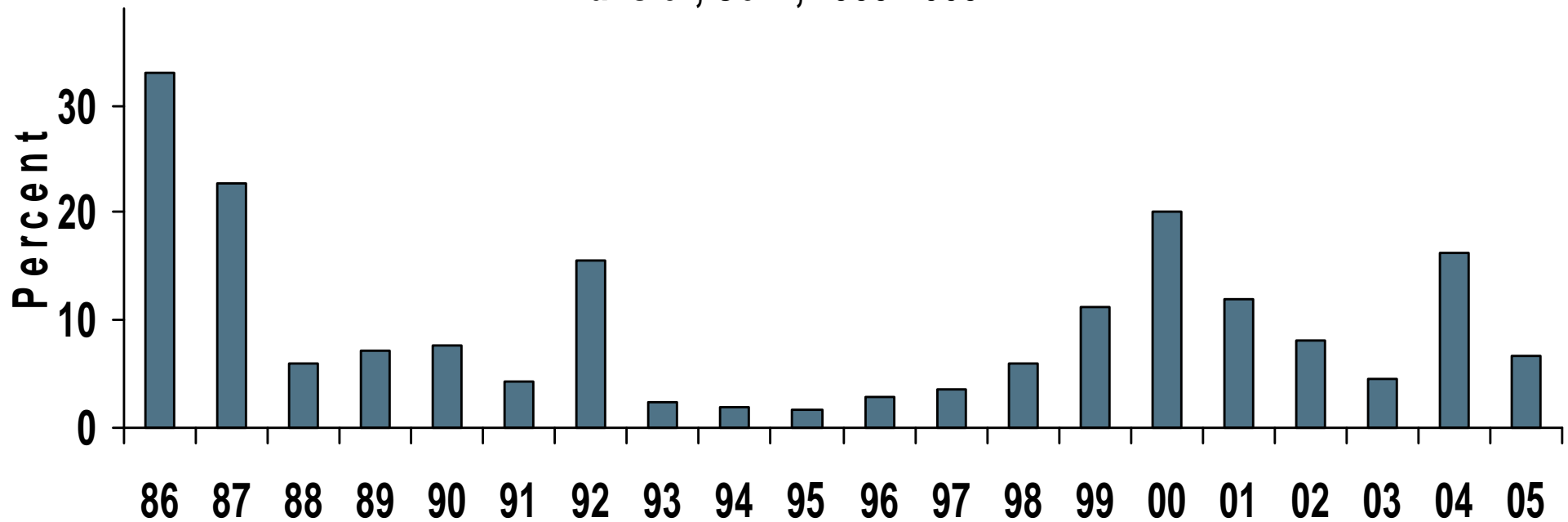
Summary

- The PSE is not just a single indicator but an information “package” about agricultural policy for the OECD member countries and most other major players in agricultural markets
- The PSE Package is used broadly at AAFC to provide data and intelligence about policies in other countries. There is really no other even comparable source of information from our perspective
- On the weak points
 - ❖ Non-availability of the PSE by commodity is a real loss
 - ❖ GSSE needs more work

There can be some significant differences between the two indicators of support

- The example here shows the difference between %PSE and SCT

Difference: Percent Producer Support Estimate Minus Single Commodity Transfer, Corn, 1985-2005



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